

Message Text

CONFIDENTIAL

PAGE 01 BONN 05274 021230Z

53

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 PM-07 INR-10 L-03 NEA-10 NSAE-00 PA-04 RSC-01

PRS-01 SP-03 TRSE-00 SAJ-01 SS-20 NSC-07 FRB-02 EB-11

SCI-06 EPA-04 OMB-01 ACDA-19 CEA-02 CIEP-02 STR-08

DRC-01 /149 W

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FM AMEMBASSY BONN

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C O N F I D E N T I A L BONN 05274

DEPARTMENT PASS TREASURY, DEFENSE AND FEDERAL RESERVE

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: OFFSET

1. WE HAVE NOW RECEIVED FROM THE GERMANS A COUNTER-DRAFT TO OUR DRAFT MINUTE EMBODYING THE PROPOSED NEW OFFSET AGREEMENT. OUTLINED BELOW ARE THE MAIN DIFFERENCES BETWEEN THE US AND THE GERMAN DRAFTS:

(A) THROUGHOUT THE AGREEMENT THE GERMAN DRAFT FAILS TO SPECIFY WHAT PART, IF ANY, IS TO BE COMPLETED PRIOR TO JUNE 30, 1974.

(B) CONCERNING MILITARY PROCUREMENT, THE GERMAN DRAFT CLAIMS CREDIT FOR DM 121 MILLION PAID PRIOR TO JULY 1, 1973 (AND PRESUMABLY BEYOND WHAT WAS REQUIRED UNDER THE PREVIOUS OFFSET AGREEMENT). THE GERMAN DRAFT ALSO GOES BACK TO LANGUAGE OF EARLIER OFFSET AGREEMENTS SPECIFYING THAT MILITARY PROCUREMENT WILL BE MADE IN THE LIGHT OF GERMAN MILITARY REQUIREMENTS, BUDGET

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 05274 021230Z

CAPABILITIES , AND THE AVAILABILITY AND ECONOMIC

ADVANTAGE OF PROCUREMENT IN THE US.

(C) IN REGARD TO INVESTMENT IN TROOP FACILITIES, THE GERMAN DRAFT SPECIFIES THAT DM 100 MILLION OF THE DM 600 MILLION TOTAL IS TO BE USED FOR SAFETY MEASURES OR THE MOVE OF MUNITION STORAGE AREAS AND FIRING RANGES AS WELL AS FOR OTHER ENVIRONMENTAL PROTECTION MEASURES. THE GERMAN DRAFT ALSO SPECIFIES THAT PART OF THE DM 600 MILLION COULD BE USED FOR NEW CONSTRUCTION.

(D) CONCERNING REAL ESTATE TAXES AND AIRPORT FEES, THE GERMAN DRAFT PROVIDES THAT THE FEDERAL GOVERNMENT WILL UNTIL JUNE 30, 1975, PAY LANDING FEES AND AIRPORT USE CHARGES AS WELL AS REAL ESTATE TAXES FOR REAL ESTATE USED BY NON-APPROPRIATED FUNDS (BETREUUNGSEINRICHTUNGEN). IN RETURN A DM 20 MILLION LUMP SUM WILL BE CREDITED UNDER THE OFFSET. PAYMENTS ALREADY MADE BY THE US GOVERNMENT WILL NOT BE REFUNDED.

(E) REGARDING SCIENTIFIC COOPERATION PROJECTS, THE GERMAN DRAFT DOES NOT PROVIDE FOR EITHER A DEADLINE BY WHICH DETAILS ARE TO BE AGREED UPON OR A DEPOSIT IN THE TREASURY.

(F) BUNDESBANK CREDIT. THE GERMAN DRAFT PROVIDES THAT THE BUNDESBANK INVESTMENTS SHALL "AIM" TO BE DM 2,250 MILLION.

(G) THE GERMAN DRAFT STATES THAT THE FEDERAL REPUBLIC AND THE US AGREE THAT THE MEASURES PROVIDED IN THE DRAFT CONSTITUTE A FULL OFFSET OF THE DM EXPENDITURES OF THE US FORCES IN GERMANY FOR THE PERIOD FROM JULY 1, 1973, TO JUNE 30, 1975, AS ESTIMATED BY THE US GOVERNMENT.

(H) THE GERMAN DRAFT ALSO CONTAINS A PARAGRAPH THAT THE GERMAN PAYMENTS ARE MADE ON THE ASSUMPTION (VORAUSSETZUNG) THAT THE STRENGTH OF THE US FORCES IN THE FEDERAL REPUBLIC WILL BE MAINTAINED ESSENTIALLY CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 05274 021230Z

AT THE STRENGTH OF JULY 1, 1973. IN CASE OF SUBSTANTIAL REDUCTION THE FEDERAL GOVERNMENT RESERVES THE RIGHT TO SUGGEST CONSULTATIONS CONCERNING THE EFFECT OF SUCH A REDUCTION REGARDING THE OBLIGATIONS SET FORTH IN THE OFFSET AGREEMENT.

2. WE WILL CABLE ENGLISH TRANSLATION OF FULL TEXT OF DRAFT TOMORROW.

HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENT DRAFT, MILITARY PROCUREMENT, OFFSET PAYMENTS, MILITARY AGREEMENTS, MILITARY BASES, FORCE & TROOP LEVELS, REAL PROPERTY TAXES, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN05274
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740073-0018
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740475/aaaacqxw.tel
Line Count: 116
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 07 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 MAY 2002 by elyme>; APPROVED <20 FEB 2003 by GolinoFR>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OFFSET
TAGS: EFIN, MARR, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005